

SECRET**Terms of Reference for High-Level USG Mission to Europe
on Soviet Sanctions**

NSC review completed - may be declassified in full

Rationale for Mission

-- An historic opportunity exists to substantially weaken the Soviet Union by taking advantage of its economic and financial situation through reducing the flow of resources from West to East.

-- Our allies must be given new incentives to participate in a useful program before the USG is forced to take further unilateral measures with possible negative impact on the alliance.

-- Measures to curtail Soviet access to hard currency are essential for the Administration's program for closing the gap between U.S. and Soviet military investments and for creating conditions conducive to greater security and genuine arms control. U.S. public sentiment in support of additional sanctions is quite strong and may be manifested by private sanctions.

Assumptions

-- The Siberian pipeline can perhaps be delayed beyond normal construction delays and made more costly to complete, but it cannot be stopped at this point by unilateral U.S. actions, without incurring intolerable diplomatic costs. By working with the Dutch and Norwegians and through an alternative energy program, we can lessen the growth of European energy dependence on the Soviet Union.

-- It is in our long-term interest and that of our allies to get them to reduce or cut off new official credits and guarantees to the USSR and to restrain the flow of financial resources to the USSR.

Objectives

-- To begin negotiations to get the allies to cut off or severely limit and make more expensive medium- and long-term official and officially-guaranteed credits to the Soviet Union.

-- To reduce Soviet exports of non-essentials to the West.

-- To limit European dependence on Soviet energy.

-- /To make clear that we define their offers not to undercut our sanctions to include subsidiaries and licensees of our companies in Europe./

SECRET

Review February 25, 1988

State Dept. review completed

Classified by Norman A. Bailey

SECRET**2****Means**

-- By proposing an agreement that additional medium- or long-term official or officially-guaranteed credits to the Soviet Union will be restricted and the cost increased, as well as considering measures to counteract the impact on the financial markets were there to be a partial or bloc-wide default, to be negotiated at a conference in Washington.

-- By convincing our allies to participate with us in a program of raising tariffs, and/or imposing quotas on non-essential Soviet exports, or by other means, to restrict allied imports of these items.

-- By stressing the importance of a package of European energy alternatives.

-- By obtaining European agreement not to interfere with the retroactive and extraterritorial extension of U.S. export controls to cover equipment manufactured by foreign subsidiaries of U.S. companies and by foreign licensees of U.S. companies operating under technology transferred prior to December 30, 1981.

Make-up and Timing of Mission

The mission will be led by Under Secretary of State James Buckley and will include Under Secretary of Defense Fred Ikle, Under Secretary of Commerce Lionel Olmer, Assistant Secretary of the Treasury Marc Leland, Director of Policy Planning of the National Security Council staff Norman Bailey and a limited number of aides.

At this time, it is proposed that the mission leave in approximately a week to ten days after terms of reference have been approved by the NSC and visit Rome, Bonn, Paris and London, in that order. The Embassy in Tokyo will be kept fully informed and the Japanese government asked to participate fully in all measures agreed upon.

Definition of Success

Success of the mission is defined as follows:

-- Agreement on a Washington conference on credit limitation and default consultation to meet before the end of March.

-- Agreement not to interfere with extension of our export controls over foreign subsidiaries and licensees of U.S. companies.

-- Agreement by allies to raise their tariffs or establish quota restrictions on Soviet non-essential exports.

NOTE: The State Department recommends that the bracketed tics under Objectives, Means and Definition of Success be deleted.